

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04

USIA-15 PRS-01 OPIC-12 DRC-01 /182 W

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P 162055Z SEPT 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 5892

C O N F I D E N T I A L CARACAS 9142

E.O. 11652: GDS

TAGS: ENRG, VE

SUBJECT: VENEZUELA OIL TAX DECISION AWAITED

REF: (A) CARACAS 8853; (B) VIENNA 7943; (C) CARACAS 1221

DATED 2/7/74

1. OPEC DECISION TO INCREASE ROYALTY WILL ONLY BRING OTHER OIL PRODUCING COUNTRIES UP TO PARITY WITH VENEZUELA, WHICH RAISED ITS ROYALTY BSE LAST FEBRUARY TO 16.67 PERCENT (REF C). ALSO, VENEZUELA HAS JUST ELIMINATED OIL COMPANY TAX INCENTIVE FOR EITHER INCREASED PRODUCTION OR HIGHER EXPORT PRICES, WHICH COULD HAVE EFFECT OF INCREASING OIL COMPANY INCOME TAXES. THIS LATTER DEVELOPMENT BEING REPORTED SEPARATELY.

2. CARACAS ENGLISH-LANGUAGE NEWSPAPER QUOTED MINISTER FINANCE HURTADO ON SEPTEMBER 15 AS SAYING THAT VENEZUELA PRESENTLY STUDYING POSSIBILITY OF INCREASING TAXES ABOVE OPEC-APPROVED THIRTY-THREE CENTS. EXECUTIVE ASSISTANT TO MINISTER MINES AND HYDROCARBONS TOLD PETROLEUM ATTACHE THAT OIL COMPANY INCOME TAX RATE WILL BE INCREASED (ABOVE 60 PERCENT) BUT IT HAD NOT BEEN DECIDED BY HOW MUCH.

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3. TAX DECISION WILL NOT BE ANNOUNCED UNTIL RETURN OF MINES
MINISTER HERNANDEZ, WHO LED VENEZUELAN DELEGATION TO VIENNA
OPEC MEETING. HIS RETURN IS SCHEDULED FOR WEEKEND SEPTEMBER 21.
EXECUTIVE ASSISTANT HERNAN ANZOLA ASKED PETROLEUM ATTACHE HIS
REACTION TO VIENNA MEETING AND EXPECTED VENEZUELAN OIL TAX
INCREASE. PETATT REPLIED THAT HE HAD HEARD FROM INDUSTRY SOURCE
THAT EVEN ONE PERCENT TAX INCREASE WOULD WIPE OUT MUCH OF COMPANY
PROFIT. IF OIL COMPANIES ATTEMPT PASS NEW TAX ALONG TO CONSUMER,
IT WOULD HAVE VERY ADVERSE RECEPTION IN U.S.
FISHER

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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